

ORIGINAL



0000063544

32

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman

2006 NOV 13 A 9:55

WILLIAM A. MUNDELL
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

MIKE GLEASON
Commissioner

KRISTIN K. MAYES
Commissioner

BARRY WONG
Commissioner

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF GOLD CANYON SEWER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: SW-02519A-06-0015

NOTICE OF FILING

Gold Canyon Sewer Company ("Gold Canyon") provides notice of the filing of
the Prefiled Testimony of Trevor Hill.

Arizona Corporation Commission
DOCKETED

NOV 13 2006

DOCKETED BY

NR

1 DATED this 13th day of November, 2006.

2 FENNEMORE CRAIG, P.C.

3
4 By 

5 Jay L. Shapiro

6 Patrick J. Black

7 3003 North Central Avenue, Suite 2600

8 Phoenix, Arizona 85012

Attorneys for Gold Canyon Sewer Company

9 ORIGINAL and thirteen (13) copies of the
10 foregoing were delivered this
11 13th day of November, 2006, to:

12 Docket Control
13 Arizona Corporation Commission
14 1200 W. Washington St.
Phoenix, AZ 85007

15 Dwight D. Nodes
16 Assistant Chief Administrative Law Judge
17 Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

18 Keith Layton
19 Legal Division
20 Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

21 Dan Pozefsky
22 Residential Utility Consumer Office
23 1110 W. Washington Street, Ste. 200
24 Phoenix, AZ 85007

1 A copy of the foregoing was mailed
2 this 13th day of November, 2006, to:

3 Andy Kurtz
4 MountainBrook Village at Gold Canyon Ranch Association
5 5674 South Marble Drive
6 Gold Canyon, Arizona 85218

7 Mark A. Tucker
8 2650 E. Southern Ave.
9 Mesa, AZ 85204

10 By: Mark A. Tucker
11 1855291.1

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner
BARRY WONG
Commissioner

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF GOLD CANYON SEWER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: SW-02519A-06-0015

**PREFILED TESTIMONY OF
TREVOR HILL**

1 I co-founded Algonquin Water Resources of America ("AWRA"), a division of the
2 Algonquin Power Income Fund. In my role as Director of Operations for AWRA,
3 I led the acquisition team, acquiring 6 utilities in 3 years and amassing 37,000
4 customers in Arizona and Texas. In 2003, I co-founded Global Water Resources, a
5 company established to acquire regulated utilities in the Southwestern states. As
6 President & CEO of Global Water, I am responsible for acquisition activities and
7 the overall operations of Global Water Resources. My professional affiliations and
8 awards and honors are listed below.

9 PROFESSIONAL AFFILIATIONS

10 Association of Professional Engineers and Geoscientists of British Columbia

11 AWARDS AND HONORS

12 1999 - Top 40 Under 40 Award, Business in Vancouver

13 1998 - ZENON Merit Award for Design

14 1998 - Finalist, Entrepreneur of the Year Award, Pacific Region, Canada

15 1997 - BC Ministry of Environment, Lands and Parks, Minister's Environmental
16 Award, Business/Industry Category

17 1997 - Nominated, Entrepreneur of the Year Award, Pacific Region, Canada

18 1996 - ZENON Merit Award for Design

19 1991 - Awarded Gulf Kuwait Medal (Gulf War 1991)
20

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. I am providing testimony about statements I made after Gold Canyon Sewer
23 Company ("GCSC") was acquired by AWRA in the summer of 2001. I have not
24 been retained by GCSC as an expert witness, and I am only testifying as a fact
25 witness. My testimony is limited to the facts surrounding my prior comments to
26 customers.

1 Q. WHAT WAS YOUR RELATIONSHIP WITH GOLD CANYON SEWER
2 COMPANY?

3 A. As noted above, I was Director of Operations for AWRA from 2000 to 2003.
4 During that time, AWRA acquired the stock of GCSC from Shea Homes.
5 Following that stock purchase, I took over as President of GCSC until I left
6 Algonquin in the summer of 2003 and founded Global Water.

7 Q. WOULD YOU PLEASE PROVIDE AN OVERVIEW OF YOUR
8 INVOLVEMENT WITH GCSC?

9 A. Yes. When Algonquin took over the GCSC wastewater treatment facility in 2001,
10 the facility was in very poor condition with substantial odor and noise problems,
11 along with problems disposing of effluent. Put simply, the plant was in need of a
12 major renovation and infrastructure upgrade and Algonquin intended to invest
13 capital in the plant to resolve these problems. I was initially responsible for
14 developing and implementing the project to renovate and upgrade the GCSC
15 facility.

16 Q. HOW DID CUSTOMERS REACT TO THE RENOVATION PROJECT
17 FOLLOWING ALGONQUIN'S ACQUISITION OF THE COMPANY?

18 A. Various customers voiced opposition to the Company about the project, due in
19 large to the long-standing odor and noise problems with the plant. Customers
20 were very distrustful due to prior management's inability to rectify the problems.
21 In light of those concerns, I undertook an informational campaign with customers
22 designed to educate them on Algonquin's plans for renovating and upgrading the
23 facility.

24 Q. PLEASE EXPLAIN THE CONTEXT OF YOUR STATEMENTS TO
25 CUSTOMERS.

26 A. The bulk of the customer complaints revolved around long-standing odor and noise

1 problems. Essentially, customers were opposed to any plant renovation and
2 expansion because the prior management of GCSC could not resolve the odor and
3 noise problems and, understandably, customers did not want to pay for plant
4 renovations without a guarantee that the long-standing odor and noise problems
5 would go away. I attempted to address those concerns in various meetings and
6 conversations with customers. Specifically, I attended many public meetings with
7 customers and had numerous other conversations with customers relating to the
8 renovation project.

9 **Q. WHAT DID YOU TELL CUSTOMERS?**

10 A. Because of the various customer objections to a plant upgrade without any
11 guarantees of solving the odor problems, I explained to customers that GCSC
12 intended to upgrade the plant and resolve the noise and odor problems before
13 pursuing any rate increases. In other words, I said that GCSC would not seek a rate
14 increase until the odor problems had been resolved. Further, in light of the
15 estimated length of the project and the associated permitting, construction and
16 commissioning timelines, I indicated to our customers that their wastewater rates
17 would stay the same for approximately five years. In addition, I prepared a
18 handout (attached as Exhibit A) to customers in or around 2002-2003. The
19 handout provides a "question/answer" format relating to the renovation project and
20 its impact on rates. As stated in the handout, Algonquin intended to fund
21 renovation through paid-in-capital and hook-up fees (which were already in place
22 under the existing tariff from the 2001 rate case).

23 **Q. DID YOU MAKE ANY PROMISES THAT GCSC WOULD NEVER SEEK A**
24 **RATE INCREASE DUE TO THE PLANT RENOVATION?**

25 A. No. I did not make any promises that GCSC would not seek an increase in sewer
26 rates as a result of Company investments for plant renovation, but I did indicate to

1 customers that rates would not increase until the plant renovation was complete and
2 the odor and noise problems were resolved which, as I indicated, would take
3 approximately five years.

4 **Q. DID GCSC INTEND TO FUND THE RENOVATION PROJECT SOLELY**
5 **THROUGH HOOK-UP FEES?**

6 A. No, it was intended that the renovation project as possible would be funded through
7 hook-up fees and paid-in-capital, but we could not guarantee that new development
8 would pay for the entire renovation project as GCSC does not control the pace of
9 development within its CC&N.

10 **Q. SEVERAL PEOPLE MAKING PUBLIC COMMENTS HAVE INDICATED**
11 **THAT YOU TOLD CUSTOMERS THAT THE PLANT RENOVATION**
12 **WOULD BE FUNDED ENTIRELY THROUGH HOOK-UP FEES AND**
13 **EXISTING CUSTOMERS WOULD NOT HAVE ANY RATE INCREASES.**
14 **DID YOU MAKE ANY SUCH STATEMENTS?**

15 A. No, I do not recall making any such statements to customers. As noted above, the
16 written handout provided to customers said that the renovation and expansion
17 would be financed with a combination of hook-up fees and "paid-in-capital."

18 **Q. WHAT DID YOU MEAN BY "PAID-IN-CAPITAL" IN THE WRITTEN**
19 **HANDOUT?**

20 A. I used the term paid-in-capital to mean capital investment made by Algonquin for
21 the renovation project. GCSC intended to include that paid-in-capital as part of its
22 rate base.

23 ...

24 ...

25 ...

26 ...

1 Q. IN YOUR WRITTEN HANDOUT, SOME CUSTOMERS AND PARTIES
2 HAVE INTERPRETED YOUR "NO" RESPONSE AS TELLING
3 CUSTOMERS THAT GCSC WOULD NEVER SEEK A RATE INCREASE
4 AS A RESULT OF THE RENOVATION PROJECT. IS THAT WHAT YOU
5 MEANT?

6 A. No. That handout was provided to customers who were concerned that the
7 renovation project would result in an immediate rate increase to customers while
8 the plant still had odor and noise problems. By using the term "paid-in-capital" in
9 that answer, I intended that GCSC would include such capital costs in its rate base
10 at a future point in time when the renovations had solved the odor problems, which
11 is what I told customers.

12 Q. DOES THAT CONCLUDE YOUR PREFILED TESTIMONY IN THIS
13 MATTER?

14 A. Yes, it does.
15
16
17
18
19
20
21
22
23
24
25
26